



DRAFT

**FINANCE AND AUDIT SUBCOMMITTEE MEETING MINUTES
JANUARY 14, 2014**

**Secretary of State
1500 11th Street
Sacramento, California 95814**

The Finance and Audit Subcommittee of the California High-Speed Rail Authority (Authority) Board met on January 14, 2014 at 8:00 at the Secretary of State building.

Committee Members Present:

Mr. Michael Rossi, Chair
Mr. Tom Richards, Vice-Chair

Authority Staff Present:

Mr. Jeff Morales, CEO
Mr. Dennis Trujillo, Chief Deputy
Mr. Russell Fong, CFO
Ms. Paula Rivera, Audits
Mr. Scott Jarvis, Assistant Chief Program Manager
Mr. Jon Tapping, Risk Manager

Minutes prepared in the order items were presented during the meeting

Agenda Item – Financial Reports

Staff is on target to complete the financial reports for presentation to the Board in February.

Questions asked and answered. Issues discussed included:

- Summary of Financial Reports:
 - Need to explain why some categories have no expenditures (Project Oversight)
 - Staff will include footnotes on this document listing the source of information and details. The Project Oversight budget will be expended in early January.
- Projects & Initiatives Report:
 - Financial Management System is our top risk. Financial and resource constraints are not acceptable reasons for the project delay.
 - Staff will put more resources on the Financial Management System initiative.
 - TBD dates need to be defined.
 - Staff will ensure that all projects and initiatives will have end dates on the next report.
- Capital Outlay Budget Summary:
 - Historical data needs to be reconciled.
 - Staff will delete historical data and include in future reports.
 - Run rate needed to reflect actual, not averages or outdated budgeted amounts.

- Staff will include the run rate in the next report.
- Accounts Payable Aging Report:
 - Explain the reasons for payables that are over 30 days.
 - Timing, budget appropriations, Federal approval timeline, and invoice disputes are the primary reasons for delays in payments. The transition of accounting functions from the DGS to the CHSR will improve our invoice processing time. The majority of budget appropriation constraints will be addressed in early 2014.
- Executive Budget Summary & Summary of Monthly Budget and Expenditures:
 - Need good projected monthly expenditures, not based on outdated budget figures. An actual realistic working management budget is needed.
 - Staff will include actual forecast in the next report.
 - Need to know why expenditures will not match budget and what we think are reasonable projections.
 - Footnotes will be added to each report explaining the differences in expenditures and why they are under/over forecast.
 - Need to know why the vacancy rate is so high and how we plan to fill them, including a narrative that the highest priority positions have been filled and how we can survive with a high vacancy rate.
 - Staff will include the following footnote on the next report: The California High-Speed Rail Authority (Authority) received an increase of 106.5 newly authorized positions for the Fiscal Year 2013/14, increasing the total number of authorized from 68.5 to 175. The effective dates were staggered, ranging from August 2013 through January 2014. The Authority has been undergoing a diligent recruitment plan in order to fill a majority of these positions before the end of the current fiscal year. A significant challenge to filling vacancies was due to classifications requiring development of examinations, because there was no prior existing examination list available for the Authority's use. The examination development process typically takes approximately four months and requires a time commitment from subject matter experts at the Authority and other departments who have staff that are available to assist. The Authority is in the process of transitioning the Human Resource personal services contract from DGS to Caltrans. This will streamline the duty statement approval process; given that many of the classifications that the Authority utilizes exist at Caltrans. This will apply to any positions that are authorized in future fiscal years.
- All reports need to be cross checked for consistency among all other reports.
 - All financial reports have been cross checked for consistency.

Agenda Item – Audits

Questions asked and answered. Issues discussed included:

- Pre-Award Reports:
 - Explain the discrepancies between rates proposed and rates supported.
 - Discrepancies reported are due to timing of the information provided by the consultants, sophistication of the consultant system of financial management, and various other factors.
- All reports need to be cross checked for consistency among all other reports.
 - FISMA needs to agree with the financial reports, for example the list of risks needs to agree to the high risk items on the Projects and Initiatives Report.
 - FISMA report attachment of risk areas identified by the Authority contains four high risk issues, but is not listed in risk order. The attachment will be revised to be consistent with other reports when submitted in June to the Department of Finance with

the next status update.

Agenda Item – CP 1 Project Update

Questions asked and answered. Issues discussed included:

- Performance Measures Report:
 - The Committee communicated that the performance measures need to be communicated in a clearer manner than the current format conveys. In addition, the industry standard that is selected as a performance measurement for each of the indicators needs to be described. Finally, the last two measurements, which will measure the financial and schedule health of the project at completion, will be reported near the end of the project.

Agenda Item – Current Issues

No current issues discussed.

Meeting ended at 9:00 am.